



June 9, 2006

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HAND-DELIVERED

Mark E. Fesmire, P. E.
Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: URGENT Request to Return or Keep Wells on Production

Applications of Williams Production Company for Horizontal Drilling and Unorthodox Surface and Bottomhole Location in the Basin-Fruitland Coal Gas Pool, Rio Arriba County, New Mexico.

Dear Mr. Fesmire:

On June 6, 2006, Williams Production Company filed applications for approval of horizontal drilling and unorthodox surface and bottomhole locations in the Basin-Fruitland Coal Gas Pool, Rio Arriba County, New Mexico and has requested that these applications be set for hearing on the July 6, 2006 Examiner Hearing Docket. Williams filed these applications for hearing at the direction of Mr. Stogner.

These applications were originally filed administratively in July 2005. At that time, Williams was advised that the applications could be approved at the district level. The applications were then sent to the Aztec District Office for approval. No action was taken on the applications by either the Santa Fe or Aztec offices. After waiting several months, and obtaining approval from the Bureau of Land Management, Williams proceeded to drill all three wells. Williams was contacted by the district office approximately two weeks ago and was told to shut-in the Rosa Unit Well No. 350, located in Section 10, Township 31 North, Range 5 West, to which Williams complied. The district office is now ordering the Rosa Unit Well No. 382 located in Section 12, Township 31 North, Range 5 West, to be shut-in.

After discussing the matter with both the Santa Fe and district offices, Williams attempted to re-submit the applications for administrative approval at the Santa Fe office on June 6, 2006. However, Mr. Stogner advised that these applications should be set for hearing and that additional notice should be provided. Although the wells are located within the boundaries of the Rosa Unit in which is operated by Williams, they are not located within a participating area and, therefore, Williams was directed to provide notice to those working interest owners in the adjoining tracts on which Williams is encroaching. Division Rule 1210 requires that:



In the event the proposed unorthodox well's operator is also the operator of an existing, adjoining spacing unit, and ownership is not common between the adjoining spacing unit and the spacing unit containing the proposed unorthodox well, then "affected persons" include all working interest owners in that spacing unit.

For each application, the subject spacing unit is offset of all sides by the Rosa Unit except for in Section 2 which is part of the Carracas Canyon Unit operated by Energen Resources Corporation. Energen was duly notified pursuant to Division rules. Williams has reviewed the ownership of all affected offsetting tracts and has confirmed that all proper notice has been given pursuant to applicable Division rules. In all other adjoining spacing units toward which the unorthodox well locations encroach in Sections 10, 11 and 13, the ownership is identical with the tracts on which these wells are located and therefore, no notice is required.

Shutting in these wells pending approval of these applications will run the risk of causing permanent damage to the well bores and the loss of reserves. Accordingly, Williams seeks immediate interim relief from the Division to allow it to return or keep the subject wells on production pending the issuance of an order following the July 6, 2006 Examiner hearing on these applications.

Your attention to this request is appreciated.

Sincerely,

William F. Carr

Enclosures

cc: Vern Hansen (w/enclosures)
Charlie Perrin
Michael Stogner